

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ATMEL CORPORATION, a Delaware
corporation; ATMEL SWITZERLAND, a
corporation; ATMEL FRANCE, a
corporation; ATMEL SARL, a
corporation,

Plaintiffs,

v.

AUTHENTEC, INC., a Delaware
corporation,

Defendant.

No. C 06-2138 CW

ORDER DENYING
DEFENDANT'S MOTION
TO DISMISS

Defendant Authentec, Inc. moves pursuant to Federal Rule of Civil Procedure 12(h)(3) to dismiss this action for lack of standing. Plaintiffs Atmel Corporation, Atmel Switzerland, Atmel France and Atmel SARL oppose the motion. The matter was submitted on the papers. Having considered all of the papers filed by the parties and the evidence cited therein, the Court denies Defendant's motion.

BACKGROUND

On June 5, 1997, U.S. patent application no. 08/870,002 was filed. On September 11, 2001, U.S. Patent No. 6,289,114 (the '114 patent) was issued and assigned to Thomson-CSF. In late December, 1999, while the patent application was pending, Thomson-CSF assigned a majority of the shares in its subsidiary, Thomson-CSF Semiconducteurs Specifiques (TCS) to a third party. As part of the agreement, Thomson-CSF also assigned its interest in several patents, including the '114 patent along with the majority interest in TCS. The assignment was effective May 22, 2000. At some point after the assignment TCS became known as Atmel Grenoble.

Until its sale in May, 2006, Atmel Grenoble was a wholly owned subsidiary of Atmel Paris. Atmel Paris is a wholly owned subsidiary of Plaintiff Atmel Corporation. Plaintiffs provide evidence that, in the United States, Atmel Corporation alone has practiced the patent and been responsible for its enforcement.

On March 22, 2006, Atmel Corporation filed this suit, alleging infringement of the '114 patent. On May 1, 2006, Atmel Grenoble assigned its interest in its patents, including the '114 patent, to Atmel Switzerland. On November 1, 2006, Atmel Corporation filed an amended complaint joining Atmel Switzerland, Atmel France and Atmel SARL as Plaintiffs and added claims regarding U.S. Patent No. 6,459,804 (the '804 patent).

Defendant now moves pursuant to Federal Rule of Civil Procedure 12(h)(3) to dismiss the action, arguing that Atmel Corporation lacked standing at the inception of this case.

DISCUSSION

Standing is a threshold issue faced before reaching substantive matters. See Stoianoff v. Montana, 695 F.2d 1214, 1223-1224 (9th Cir. 1983). Federal courts have the duty to dismiss an action if standing is wanting. Bernhardt v. County of Los Angeles, 279 F.3d 862, 868 (9th Cir. 2002). Standing has both constitutional and prudential limitations. See Estate of McKinney v. United States, 71 F.3d 779, 782 (9th Cir. 1995). The constitutional standing requirement derives from Article III, Section 2 of the United States Constitution, which restricts adjudication in federal courts to "cases" and "controversies." See Valley Forge Christian College v. Americans United for Separation of Church and State, Inc., 454 U.S. 464, 471 (1982). Article III standing is present only when (1) a plaintiff suffers a concrete, particularized injury which is actual or imminent; (2) there is a causal connection between the injury and the conduct complained of; and (3) the injury will likely be redressed by a favorable decision. See Lujan v. Defenders of Wildlife, 504 U.S. 555, 560-61 (1992); Wedges/Ledges of California, Inc. v. City of Phoenix, 24 F.3d 56, 61 (9th Cir. 1994). The absence of any one element deprives a plaintiff of Article III standing and requires dismissal. See Whitmore v. Federal Election Comm'n, 68 F.3d 1212, 1215 (9th Cir. 1995).

In addition to constitutional standing, the Patent Act limits standing to sue for patent infringement. Title 35 U.S.C. § 281 provides, "A patentee shall have remedy by civil action for infringement of his patent." The Patent Act defines patentee as

1 including "not only the patentee to whom the patent was issued but
2 also the successors in title to the patentee." Id. at § 100(d).
3 The Federal Circuit notes that these provisions "have been
4 interpreted to require that a suit for infringement of patent
5 rights ordinarily be brought by a party holding legal title."
6 Popat Int'l Corp. v. Rpost, Inc., 473 F.3d 1187, 1189 (Fed. Cir.
7 2007). Nonetheless, the court also held,

8 Even if the patentee does not transfer formal legal
9 title, the patentee may effect a transfer of ownership
10 for standing purposes if it conveys all substantial
11 rights in the patent to the transferee. In that event,
12 the transferee is treated as the patentee and has
13 standing to sue in its own name.

14 Id. Further, the court held that an exclusive licensee with less
15 than all substantial rights in the patent also has constitutional
16 standing but "must normally join the patent owner in any suit on
17 the patent." Id. at 1193. The court made clear that the joinder
18 of the patent owner "is a 'prudential' requirement, not a
19 constitutional requirement based on Article III limitations, and
20 that an action brought by the exclusive licensee alone may be
21 maintained as long as the licensee joins the patent owner in the
22 course of the litigation." Id. (citing Intellectual Prop. Dev.,
23 Inc. v. TCI Cablevision of Cal., Inc., 248 F.3d 1333, 1348 (Fed.
24 Cir. 2001), Mentor H/S, Inc. v. Med. Device Alliance, Inc., 240
25 F.3d 1016, 1019 (Fed. Cir. 2001)).

26 Defendant argues that it has learned through discovery that at
27 the time the original complaint was filed, Atmel Corporation, then
28 the only Plaintiff, did not own the '114 patent, then the only
patent in suit. Further, Defendant argues that Atmel Corporation

1 was not an exclusive licensee. Therefore, Defendant argues that
2 Atmel Corporation lacked standing at the inception of the lawsuit
3 and the case must be dismissed.

4 Plaintiffs counter that Atmel Corporation has exclusive rights
5 to the '114 patent and that, as the parent company, it acts as an
6 exclusive licensee to the patent. Plaintiffs cite Steelcase Inc.
7 v. Smart Technologies Inc., 336 F. Supp. 2d 714 (W.D. Mich. 2004),
8 where the Michigan court denied the defendants' motion to dismiss
9 the claims of plaintiff PolyVision, the parent company of
10 Greensteel, the patent owner. The court relied on evidence that
11 even though "there apparently was no written license agreement,
12 PolyVision was the sole licensee of the patent, Greensteel
13 permitted PolyVision to exclusively practice the patent, and
14 Greensteel granted PolyVision the right to enforce the patent."
15 Id. at 718. Therefore, the court found that "PolyVision
16 effectively had exclusive control of the '309 patent and was
17 essentially one and the same with Greensteel." Id.

18 Defendant argues that Steelcase is distinguishable on two
19 grounds. First, Defendant notes that the issue before the
20 Steelcase court was whether the parent company was misjoined as a
21 plaintiff and that the patent owner had been a party to the case
22 since its inception. However, as stated above, the Federal Circuit
23 has held that where an exclusive licensee has constitutional
24 standing but lacks prudential standing, the litigation may be
25 maintained if the licensee joins the patent owner, as Atmel
26 Corporation has by joining Atmel Switzerland. See Mentor, 240 F.3d
27 at 1019.

1 Defendant also argues that, unlike in Steelcase, the evidence
2 in this case demonstrates that Atmel Corporation did not have any
3 formal license rights to the patent at the time the case was filed.
4 The May 1, 2006 transfer agreement that assigned rights in the '114
5 patent from Atmel Grenoble to Atmel Switzerland states, "Grenoble
6 has not granted any licenses or other rights to the Intellectual
7 Property. In addition, Grenoble (i) has the full right, title and
8 ownership, free and clear of all liens, to such Intellectual
9 Property and Technology and (ii) holds all license rights to such
10 Intellectual Property or Technology." De Mory Declaration, Ex. 7
11 at 5.

12 Plaintiffs counter that Atmel Corporation was effectively an
13 exclusive licensee, providing it constitutional standing, and that
14 its joinder of Atmel Switzerland, the patent owner, cured any
15 defect in prudential standing.¹ As stated above, until Atmel
16 Corporation sold Atmel Grenoble, Atmel Grenoble was a wholly-owned
17 subsidiary of Atmel Paris and Atmel Paris was a wholly-owned
18 subsidiary of Atmel Corporation. Further, Atmel Corporation has
19 always been the only entity that practices and enforces the patent
20 in the United States.

21 Here, as in Steelcase, there is no evidence to suggest that
22 either Atmel Grenoble or Atmel Switzerland has ever granted rights
23 in the '114 patent to any party other than Atmel Corporation. 336

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25 ¹Plaintiffs also argue that Atmel Corporation was an exclusive
26 licensee with all substantial rights. However, "if the license is
27 to be considered a virtual assignment to assert standing, it must
28 be in writing." Enzo APA & son v. Geapag A.G., 134 F.3d 1090,
1093-94 (Fed. Cir. 1998). Plaintiffs do not assert that any such
writing exists.

1 F. Supp. 2d at 718. Further, as in Steelcase, the patent owner is
2 the wholly-owned subsidiary of the licensee. Id. It is clear from
3 the evidence presented that Atmel Corporation has always had the
4 implicit right to make, use and sell the patented invention and to
5 control the enforcement of the patent rights. Therefore, Atmel
6 Corporation has always acted as the exclusive licensee of the '114
7 patent. The fact that Atmel Grenoble stated that it had not
8 granted any licenses or other rights to the '114 patent at the time
9 it transferred the patent to Atmel Switzerland does not undermine
10 the evidence that Atmel Corporation, the parent company of both
11 subsidiaries has "effectively had exclusive control" of the '114
12 patent since the time the suit was filed. Id.

13 As in Steelcase, Atmel Corporation as the parent company
14 controlling the patent and Atmel Grenoble and later Atmel
15 Switzerland as the wholly-owned subsidiary that owned the patent
16 were "essentially one and the same," further supporting a finding
17 of constitutional standing. Id.; see also, Mi-Jack Products, Inc.
18 v. The Taylor Group, Inc., 1997 U.S. Dist. LEXIS 11439, *22 (N.D.
19 Ill. 1997) (finding standing based upon the "extremely close"
20 relationship between the parent patent holder and the wholly-owned
21 subsidiary licensee). Therefore, Atmel Corporation had
22 constitutional standing as an exclusive licensee at the inception
23 of the case and cured the defect in prudential standing when it
24 joined Atmel Switzerland, the patent owner.

25 CONCLUSION

26 For the foregoing reasons, the Court DENIES Defendant's motion
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1 to dismiss (Docket No. 75).²

2 IT IS SO ORDERED.

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4 Dated: 6/11/07



5 CLAUDIA WILKEN
6 United States District Judge
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26 ²Both parties seek to recover their costs in litigating this
27 motion. The Court finds no grounds for such sanctions and denies
28 both requests.